

Amarnath Aggarwal Investment Private Limited

March 31, 2022

Rating

Facilities/Instruments	Amount (Rs. crore)	Rating ¹	Rating Action
Short Term Bank Facilities	9.00	CARE A4; ISSUER NOT COOPERATING* (A Four ISSUER NOT COOPERATING*)	Rating moved to ISSUER NOT COOPERATING category
Total Bank Facilities	9.00 (Rs. Nine Crore Only)		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

CARE Ratings Ltd. has been seeking information from Amarnath Aggarwal Investment Private Limited (AAI) to monitor the rating(s) vide e-mail communications/letters dated March 23, 2022, March 17, 2022, March 05, 2022, etc. among others and numerous phone calls. However, despite our repeated requests, the company has not provided the requisite information for monitoring the ratings. In line with the extant SEBI guidelines, CARE Ratings Ltd. has reviewed the rating on the basis of the best available information which however, in CARE Ratings Ltd.'s opinion is not sufficient to arrive at a fair rating. The rating on Amarnath Aggarwal Constructions Private Limited's bank facilities will now be denoted as **CARE A4; ISSUER NOT COOPERATING***.

Users of this rating (including investors, lenders and the public at large) are hence requested to exercise caution while using the above rating(s).

The ratings assigned to the bank facilities of Amarnath Aggarwal Investment Private Limited (AAI) continues to be constrained by marketability risks associated with the unsold residential and commercial area of the projects launched and small scale of operations along with declining profitability margins. The rating is further constrained by the inherent cyclical nature of the industry and geographical concentration in the revenue profile with exposure to local demand-supply dynamics. The rating, however, derives strength from the experienced promoters, comfortable solvency position and low reliance of the projects on external funding.

Detailed description of the key rating drivers

At the time of last rating on April 05, 2021 the following were the rating strengths and weaknesses (updated for the information available from MCA):

Key Rating Weaknesses

Marketability risk and market competition

The risk of marketing and selling remains for the unsold residential and commercial area. Moreover, the Indian real estate industry is highly fragmented in nature with the presence of a large number of organized and unorganized players spread across various regions. Many townships are emerging in cities like Panchkula, Zirakpur, Derabassi, etc., by both small and large players, which further add to the prevailing industry competition.

Geographical concentration in revenue profile

AAIL has its ongoing projects at a single location- Panchkula (Haryana), which exposes the company to geographical concentration in its revenue profile. AAIL's business risk profile is constrained by any adverse changes in local laws and competition in the local area.

Small scale of operations

The total operating income of the company declined by ~33% on a y-o-y basis from Rs.14.41 crore in FY20 to Rs.9.57 crore in FY21. The decline in income in FY21 was mainly on account of lower sales booked.

Low profitability margins

The profitability margins of the company stood low but improved slightly, marked by PBILDT margin of 10.76% and PAT margin of 3.05%, in FY21 (8.24% and 2.66%, respectively in FY20). The improvement in the margins was mainly on account of decrease in the overhead expenses and interest cost incurred during the year.

Cyclicity associated with the real estate industry

The real estate sector has direct linkage with the general macroeconomic scenario, interest rates and level of disposable income available with individuals, thus making the sector highly cyclical. Going forward, a lower interest rate scenario should encourage the consumers from borrowing, to finance the real estate purchases, which augurs well for the companies like AAIL.

¹Complete definition of the ratings assigned are available at www.careedge.in and other CARE Ratings Ltd.'s publications

Key Rating Strengths

Experienced promoters

The company is managed by Mr. Kulbhushan Goyal and Mr. Hargobind Goyal who have an experience of more than ~30 years and ~25 years, respectively, through their association with AAIL and other group concerns in the real estate sector. The other directors of the company include Mr. Mayank Goyal and Mr. Jiwan Prakash who have an experience of more than ~10 years and more than ~30 years in the real estate sector.

Comfortable solvency position

The capital structure of the company remained comfortable marked by long-term debt to equity ratio and overall gearing ratios of 0.01x and 0.10x respectively as on March 31, 2021 (PY: nil and 0.08x, respectively) owing to low reliance of the company on external debt coupled with moderate net worth base. The debt coverage indicators of the company also remained satisfactory marked by total debt to GCA of 3.23x, as on March 31, 2021 (2.16x as on March 31, 2020). Furthermore, the interest coverage ratio also remained at a comfortable level of 9.93x in FY21 (9.67x in FY20).

Project status

AAIL is developing a township on a total land area of 118.33 acres. The township is being built in two phases with the entire cost of land acquisition fully paid for and all the requisite approvals and clearances in place. Phase-I of the project includes 956 plots and 153 low rise flats (G+2), out of which the company has sold off 899 plots (~94%) and 128 flats (~84%) as on March 17, 2021. For phase-II, the company has launched 420 flats in year 1996, the company has sold all the launched 420 flats (100%). Also, the company had launched 420 flats in year 2005, out of which, 160 flats (~38%) have been sold as on March 17, 2021. AAIL has also developed a commercial mall with a total saleable area of 3.14 lakh sq. ft., out of which it has sold ~1.3 lakh sq. ft. (~41%) of area as on February 29, 2020. Furthermore, the company is managing one hotel by the name "Clark Inn". It has tied-up with Clarks-Inn group (based in Delhi) for the management of the hotel. However, CARE does not have any updated details on the same.

Liquidity: Stretched

The average utilization of the over draft limit remained at ~80-90% in the last 12 months, ended February-2021. The current ratio of the company stood at 1.27x, while the quick ratio stood at 1.27x, as on March 31, 2021. The company has free cash and bank balance of Rs.0.62 crore as on March 31, 2021. The company had availed the moratorium of 6 months from bank in light of COVID-19 pandemic for servicing of its debt obligations.

Analytical approach: Standalone

Applicable Criteria

[Policy in respect of Non-cooperation by issuer](#)

[Policy on default recognition](#)

[Financial Ratios – Non financial Sector](#)

[Liquidity Analysis of Non-financial sector entities](#)

[Short Term Instruments](#)

[Rating methodology for Real estate sector](#)

About the Company

Amarnath Aggarwal Investment Private Limited (AAIL) was incorporated in 1992. The company is currently being promoted by Mr. Kulbhushan Goyal, Mr. Hargobind Goyal, Mr. Mayank Goyal and Mr. Jiwan Prakash. AAIL is engaged in the development of a township which comprises of multi-storey apartments, low rise flats, plots and a Mall (by the name NH 22) under the project namely 'Amaravati Enclave', at Panchkula, Haryana. The township is being developed in two phases, on a total land area of 118.33 acres; with 102.18 acres of land area under Phase-I and 16.15 acres of land area under Phase-II. AAIL is operating a multiplex in the mall (NH-22) at the same project site (by the name INOX in Panchkula, Haryana) and generates income from the same. Apart from that the company also receives rental income from one restaurant (Chowki Dhani located at the same project site) and a few flats in Baddi (Himachal Pradesh). Also, the company has tied-up with Clark-Inn and is operating one hotel at Panchkula, since June-16. All the projects are registered with RERA (Haryana). Besides AAIL, the group has Amarnath Aggarwal Constructions Pvt. Ltd., Amarnath Aggarwal Builders Pvt. Ltd. and Amarnath Aggarwal Colonizers Pvt. Ltd.

Brief Financials (Rs. crore)	31-03-2020 (A)	31-03-2021 (A)	9MFY22*
Total operating income	14.41	9.57	NA
PBILDT	1.19	1.03	NA
PAT	0.38	0.29	NA
Overall gearing (times)	0.08	0.10	NA
Interest coverage (times)	9.67	9.93	NA

A: Audited

*refers to the period from April 1, 2021 to December 31, 2021.

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating History (Last three years): Please refer Annexure-2

Covenants of rated instrument / facility: Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-3

Complexity level of various instruments rated for this company: Annexure 4

Annexure-1: Details of Instruments / Facilities

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - ST-Bank Overdraft		-	-	-	2.00	CARE A4; ISSUER NOT COOPERATING*
Non-fund-based - ST-Bank Guarantee		-	-	-	7.00	CARE A4; ISSUER NOT COOPERATING*

Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2021-2022	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019
1	Fund-based - ST-Bank Overdraft	ST	2.00	CARE A4; ISSUER NOT COOPERATING*	1)CARE A4 (05-Apr-21)	1)CARE A4 (06-Apr-20)	1)CARE A4 (02-Apr-19)	-
2	Non-fund-based - ST-Bank Guarantee	ST	7.00	CARE A4; ISSUER NOT COOPERATING*	1)CARE A4 (05-Apr-21)	1)CARE A4 (06-Apr-20)	1)CARE A4 (02-Apr-19)	-

* Long Term / Short Term

Annexure-3: Detailed explanation of covenants of the rated instrument / facilities: Not Applicable

Annexure 4: Complexity level of various instruments rated for this company

Sr. No	Name of instrument	Complexity level
1	Fund-based - ST-Bank Overdraft	Simple
2	Non-fund-based - ST-Bank Guarantee	Simple

Annexure 5: Bank Lender Details for this Company

To view the lender wise details of bank facilities please [click here](#)

Note on complexity levels of the rated instrument: CARE Ratings Ltd. has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for any clarifications.

Contact us

Media Contact

Name – Mr. Mradul Mishra
Contact no. - +91-22-6754 3596
Email ID - mradul.mishra@careedge.in

Analyst Contact

Group Head Name – Mr. Amit Jindal
Group Head Contact no.- +91- 11-4533 3242
Group Head Email ID- amit.jindal@careedge.in

Relationship Contact

Name: Ms. Swati Agrawal
Contact no.: +91-11-4533 3200
Email ID: swati.agrawal@careedge.in

About CARE Ratings Limited:

Established in 1993, CARE Ratings Ltd. is one of the leading credit rating agencies in India. Registered under the Securities and Exchange Board of India (SEBI), it has also been acknowledged as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). With an equitable position in the Indian capital market, CARE Ratings Limited provides a wide array of credit rating services that help corporates to raise capital and enable investors to make informed decisions backed by knowledge and assessment provided by the company.

With an established track record of rating companies over almost three decades, we follow a robust and transparent rating process that leverages our domain and analytical expertise backed by the methodologies congruent with the international best practices. CARE Ratings Limited has had a pivotal role to play in developing bank debt and capital market instruments including CPs, corporate bonds and debentures, and structured credit.

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